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ATTORNEY FOR THE DEPARTMENT OF FINANCE

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT

OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

IN RE:

COUNTRYWIDE FINANCIAL
CORPORATION, a Delaware corporation.

) **CASE NO.** CV 01 0824037
)
) **STIPULATION TO ENTER**
) **CONSENT JUDGMENT**
) **PURSUANT TO IDAHO CODE**
) **§ 48-606(4)**
)

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The State of Idaho, acting through Attorney General Lawrence G. Wasden and pursuant to his authority under the Idaho Consumer Protection Act, Idaho Code § 48-601 et seq.; the Idaho Department of Finance, joining with the Attorney General in this matter in lieu of pursuing an enforcement action under the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 et seq.; and Countrywide Financial Corporation enter into this Stipulation to Enter Consent Judgment Pursuant to Idaho Code § 48-606(4) ("Stipulation"). The Parties stipulate as follows:

BACKGROUND

A. Defendant Countrywide Financial Corporation ("CFC"), a Delaware corporation, is a thrift holding company, and, as of July 1, 2008, is a wholly-owned subsidiary of Bank of America Corporation ("BAC"), a Delaware corporation.

B. In connection with this acquisition, BAC announced that it would suspend offering subprime or high cost mortgages (as described in 15 U.S.C. 1602(aa)) and nontraditional forward mortgages (other than those that are Federal Eligible) that may result in negative amortization – such as Pay Option ARMs. BAC also stated that it would, for a time, place restrictions on offering "low documentation" and "no documentation" mortgage loans (other than those that are Federal Eligible) and set limits on mortgage broker compensation.

1.0 USAGE & DEFINITIONS

1.1 *Usage.* Unless otherwise specified or indicated, the Parties agree that the following rules of usage are applicable to the construction and interpretation of this Stipulation:

- a. The singular includes the plural and the plural includes the singular;
- b. "Include" and "including" are not limiting;
- c. The headings of the sections and subsections are for convenience and shall not constitute a part of this Stipulation and shall not affect the meaning, construction, or the effect of the applicable provision of this Stipulation;
- d. A reference in this Stipulation to a section, exhibit, or schedule without further reference is a reference to the relevant section, exhibit, or schedule to this Stipulation; and
- e. Words such as "hereunder", "hereto", "hereof" and "herein" and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Stipulation and not to any particular section, subsection or clause hereof.

2.1 Defined Terms. The following capitalized terms shall have the following meanings in this Stipulation unless otherwise required by the context or defined.

- a. **"Affiliate(s)"** mean with respect to any company, any company that controls, is under common control with, or is controlled by such company.
- b. **"Affordability Equation"** is defined in Section 4.4.
- c. **"Alt-A Residential Mortgage Loan(s)"** mean "CFC Residential Mortgage Loan(s)" that are: (1) not owned by a "GSE;" (2) not "Subprime;" (3) not a "Pay Option ARM;" (4) less than \$400,000 in original principal amount; and (5) include documentation or other characteristics that make such loans not "Federal Eligible."
- d. **"Annual Increase"** means, with respect to any stated rate of interest, an annual increase in the stated rate of interest such that the aggregate scheduled payments of principal, if applicable, and interest in any year does not increase by more than 7.5% of the aggregate scheduled payments of principal

and interest in the preceding year, subject to any stated interest rate cap.

- e. **"ARM(s)"** mean adjustable rate first-lien residential mortgage loans.
- f. **"Attorney General"** means the Idaho Attorney General.
- g. **"BAC"** means Bank of America Corporation.
- h. **"Borrower(s)"** mean, with respect to any owner-occupied "CFC Residential Mortgage Loan," the obligors(s) on such loan. No covenant or commitment herein is intended to require a "CFC Servicer" to deal with more than one obligor on behalf of any "Borrower."
- i. **"CFC"** means Countrywide Financial Corporation.
- j. **"CFC-Originated"** means, with respect to any residential mortgage loan, that such residential mortgage loan is a first-lien residential mortgage that was originated on a retail basis directly or indirectly by "CFC" or its subsidiaries or through brokers in their wholesale lending channels. "CFC-Originated" residential mortgage loans exclude "CFC Purchased Loans."
- k. **"CFC Purchased Loan(s)"** means any first-lien residential mortgage loan originated by unaffiliated third parties and directly or indirectly purchased by "CFC" or its subsidiaries through their correspondent lending channels or otherwise, provided that a "CFC Servicer" services such loan. "CFC Purchased Loans" exclude "CFC-Originated" residential mortgage loans.
- l. **"CFC Residential Mortgage Loan(s)"** means any: (1) "CFC-Originated" first lien residential mortgage loans; or (2) "CFC Purchased Loan(s)," so long as, in each case, such loans are serviced by a "CFC Servicer."
- m. **"CFC Servicer"** means "CFC" or any "Affiliate" of "CFC" that services "CFC Residential Mortgage Loans."

- n. **"CLTV"** means, with respect to a first-lien residential mortgage loan at the time of underwriting, the ratio of the sum of the unpaid principal balance of the mortgage loan plus the unpaid principal balance on any second-lien mortgage to the "Market Value" of the residential property that secures the mortgages.
- o. **"Commencement Date"** means October 6, 2008.
- p. **"Delinquent Borrower(s)"** means, with respect to any "Borrower(s)," that the related "CFC Residential Mortgage Loan" is: (1) "Seriously Delinquent" on or before the "Termination Date;" or (2) subject to an imminent reset or "Recast" and, in the reasonable view of the "CFC Servicer," as a result of such reset or "Recast" is reasonably likely to become "Seriously Delinquent" on or before the "Termination Date."
- q. **"Department"** means the Idaho Department of Finance.
- r. **"Eligible Borrower"** is defined in Section 4.1.
- s. **"Fannie Mae"** means the Federal National Mortgage Association.
- t. **"Fannie Rate"** means, as of any date, the Fannie Mae 30-year fixed rate 60-day delivery required net yield as of such date or if such rate is for any reason not available, a comparable rate published by another nationally recognized source.
- u. **"Federal Eligible"** means, with respect to any first-lien residential mortgage loan that, at the time of origination, such loan: (1) is or was eligible for sale to, or guaranty or insurance by, a federal agency, "GSE" or comparable federally-sponsored entity similar to a "GSE," under then applicable guidelines of such agency, "GSE" or entity; or (2) was made in connection with a program intended to qualify for credit under the Community Reinvestment Act of 1977.
- v. **"Foreclosure Avoidance Budget"** is defined in Section 4.4(a).

- w. **"Foreclosure Relief Program"** means the program under which certain "Borrowers" will be offered payments as outlined in Section 6.
- x. **"Freddie Mac"** means Federal Home Loan Mortgage Corporation.
- y. **"GSE"** means a government-sponsored enterprise, such as Fannie Mae or Freddie Mac.
- z. **"Interest Rate Floor"** means, with respect to modification of a "Qualifying Mortgage," a rate of: (1) 3.5% per annum if the modification results in an interest-only payment; or (2) 2.5% per annum if the modification results in a fully amortizing payment.
- aa. **"LTV"** means, with respect to a first-lien residential mortgage loan as of the time reviewed for eligibility for modification, the ratio of the unpaid principal balance of such mortgage loan to the "Market Value" of the residential property that secures such mortgage.
- bb. **"Market Value"** means, with respect to any residential mortgage loan, the value of the residential property that secures such mortgage loan as determined by a lender or servicer in reliance on an appraisal (whether based on an appraisal report prepared not more than 180 days before the date of determination, a broker price opinion prepared not more than 120 days before the date of determination, or automated valuation model prepared not more than 90 days before the date of determination).
- cc. **"Parties"** means the "Attorney General," the "Department," and "CFC."
- dd. **"Pay Option ARM(s)"** means "ARM(s)" that, during an initial period (and subject to "Recast"), permit the borrower to choose among two or more payment options, including an interest-only payment and a minimum (or limited) payment.
- ee. **"Qualifying Mortgage(s)"** is defined in Section 4.2.

- ff. **“Recast”** means, in the case of a “Pay Option ARM,” a contractual payment recast to a fully amortizing payment based on a negative amortization trigger.
- gg. **“Relocation Assistance payment(s)”** is defined in Section 5.1.
- hh. **“Seriously Delinquent”** means, with respect to any residential mortgage loan, that payments of interest or principal are 60 or more days delinquent.
- ii. **“Seriously Delinquent Borrower(s)”** means “Borrower(s)” whose “CFC Residential Mortgage Loan,” on or before the “Termination Date,” is “Seriously Delinquent.”
- jj. **“State”** means the State of Idaho, acting through the Idaho Attorney General and the Idaho Department of Finance.
- kk. **“Subprime 2, 3, 5, 7, and 10 Hybrid ARM(s)”** means “Subprime Mortgage Loan(s)” that are 2, 3, 5, 7, and 10 Hybrid ARM(s).
- ll. **“Subprime Mortgage Loan(s)”** means first-lien residential mortgage loans that combine higher risk features (such as low or no documentation, low equity, adjustable interest rates, prepayment penalties, or cash-out financing) with higher risk borrower profiles (lower FICO scores, recent bankruptcies/foreclosures, or major derogatory credit) and result in a loan that could not reasonably be underwritten and approved as a “prime” loan. An existing “CFC Residential Mortgage Loan” is a “Subprime Mortgage Loan” if it is identified as such in connection with a securitization in which it is part of the pool of securitized assets or, in the case of a “CFC Residential Mortgage Loan” that is not included in a securitization, was classified as being “subprime” on the systems of “CFC” and its subsidiaries on June 30, 2008.
- mm. **“Termination Date”** means June 30, 2012.

2.0 **CFC IS THE SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS STIPULATION**

2.1 Responsibility of CFC. Until the Termination Date (or such earlier date as is specified herein), CFC is responsible to the other Parties for performance of all of the undertakings in this Stipulation, including the changes to the residential mortgage lending practices described in Section 3, the loan modification programs described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6, and the reporting obligations described in Section 8.

2.2 Absence of Defenses. It is not an excuse to the performance of the obligations of CFC hereunder that: (a) it does not directly or indirectly engage in the business of originating residential mortgage loans; or (b) it does not directly or indirectly engage in the business of servicing residential mortgage loans. CFC is responsible for the conduct of CFC Affiliates and CFC Servicers as specified hereunder whether or not it controls such CFC Affiliates or CFC Servicers, and the absence of such control shall not be a defense to or otherwise excuse CFC's failure to perform hereunder.

2.3 Notice of Alleged Failure of CFC to Cause Performance. If the State has a reason to believe that there is a material failure by CFC to perform obligations under the loan modification programs described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6, or the reporting obligations described in Section 8, the Attorney General shall notify CFC of such alleged failure(s) pursuant to Section 10.13.

2.4 Opportunity to Cure Alleged Failure(s) to Perform. If CFC receives notice from the Attorney General that the State has reason to believe that there is a material failure by CFC to perform the obligations under the loan modification programs

described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6, or the reporting obligations described in Section 8, CFC has 45 days from the date of receiving the Attorney General's notice to cure the alleged failure(s) by either performing or applying to the court for orders or directions concerning the alleged failure(s) under the terms of the Stipulation or for the modification or termination of one or more injunctive provisions of this Stipulation concerning the alleged failure(s). The 45-day period can be extended by written mutual consent of the parties.

2.5 Failure to Cure. If, in the State's opinion, CFC fails to cure the alleged failure(s) to perform or CFC does not apply to the court as provided in 2.4 within 45 days of receiving notice, unless the time has been extended, the Attorney General may:

- (a) Apply to the court for enforcement of any provision of this Stipulation and request that the court impose sanctions, including civil penalties, or other remedies on CFC for any violation of this Stipulation; or
- (b) Terminate this Stipulation. If the Attorney General elects to terminate this Stipulation, the State shall no longer be bound by Sections 9.2 or 9.3.

3.0 SERVICER PRACTICES

Until the Termination Date, CFC shall be responsible for the implementation of the following by CFC Affiliates with respect to CFC Residential Mortgage Loans to Borrowers in the State of Idaho:

3.1 *Residential Mortgage Product Offerings.*

- (a) CFC Servicers will maintain processes to continue to identify and contact Borrowers who are having, or are reasonably expected to have,

trouble paying their CFC Residential Mortgage Loans. Under these processes, when contact is made with the Borrower, an individualized evaluation of the Borrower's economic circumstances will be made to determine if alternatives to foreclosure are available, subject to applicable investor directives.

(b) CFC Servicers will maintain the current practice of offering loan modifications or other workout solutions to Borrowers who are 30 days or more delinquent in their payments, who desire to remain in their homes and who can afford to make reasonable mortgage payments, subject to applicable investor guidance and approvals.

(c) CFC's reports to the Attorney General under this Stipulation will include information on the numbers and types of workouts concluded on loans secured by Borrower-occupied properties in the State of Idaho.

(d) CFC Servicers will continue the current practice of regularly monitoring the delinquency characteristics of the entire portfolio of CFC Residential Mortgage Loans, including Alt-A Residential Mortgage Loans, loans with interest-only features, and other loans to prime borrowers, to identify high delinquency segments that may be appropriate for streamlined or non-streamlined loan modification campaigns. CFC shall be responsible for providing reports to the State on the delinquency characteristics of such loans, as provided herein.

(e) With respect to Alt-A Residential Mortgage Loans, CFC acknowledges that the State has expressed concerns about future delinquencies. As such, CFC will provide the Attorney General with written notice whenever the nationwide rate at which Borrowers with Alt-A Residential Mortgage Loans are 30 days or more delinquent in their payments exceeds 150% of the delinquency rate for comparably-aged FHA-insured loans serviced by CFC Servicers. If such notice is required, CFC agrees to confer with the State concerning Alt-A Residential Mortgage Loans delinquency trends, including whether delinquencies are isolated in certain segments of the Alt-A Residential Mortgage Loans portfolio (e.g., loans with interest-only features, loans originated at high CLTV) and concerning the possible deployment of streamlined foreclosure avoidance solutions for such Borrowers.

(f) Through July 1, 2009, a minimum of 3,900 personnel shall be employed to assist Borrowers with loan modifications and other foreclosure avoidance measures.

(g) CFC Servicers will ensure that the values in any AVM system used to generate electronic appraisals are updated regularly and periodically validated so as to provide reasonable assurance regarding the accuracy of resulting valuations. Any validation will, as appropriate and where sufficient information is available, include back-testing of a representative sample of valuations against market data on actual sales.

(h) Although the scope of the loan modification program in this Stipulation is limited to certain first lien Qualifying Mortgages, CFC acknowledges that: (1) many Eligible Borrower-occupied 1-to-4 unit residential properties are subject to second lien mortgages; and (2) the existence of such junior liens may reduce the incentive of Borrowers to remain in their homes and may impair an Eligible Borrower's ability to refinance a Qualifying Mortgage. CFC confirms that it is engaged in developing best servicing practices with respect to first lien Qualifying Mortgages secured by Eligible Borrower-occupied 1-to-4 unit residential properties that are subject to second lien mortgages.

3.2 Compliance. Understanding the circumstances and behaviors of lenders and brokers that may have contributed, in part, to the current mortgage crisis, CFC recognizes its responsibility to ensure the very highest degree of ethical conduct on the part of CFC's agents and employees. CFC shall ensure that to the extent CFC: (a) resumes subprime lending, it will design and implement an effective compliance management program to provide reasonable assurances as to the identification and control of consumer protection hazards associated with such subprime lending activities; and (b) continues its own lending activities, if any, CFC will create appropriate consumer safeguards to avoid unfair or deceptive activities or practices arising in connection with its interaction with brokers and other third parties.

4.0 LOAN MODIFICATIONS FOR DELINQUENT BORROWERS IN CERTAIN MORTGAGE PRODUCTS

Until the Termination Date, CFC is responsible for ensuring that CFC Servicers attempt to qualify eligible Borrowers in specified mortgage products for affordable loan modifications in accordance with the following provisions:

4.1 Eligible Borrowers. An “*Eligible Borrower*” is a Borrower who has a Qualifying Mortgage with a first payment date on or before December 31, 2007, that: (a) is secured by an owner-occupied 1-to-4 unit residential property; (b) is serviced by a CFC Servicer; and (c) in the event that it is determined that a condition described in Section 4.10 has occurred, the applicable CFC Servicer has determined that such Borrower is in financial distress. Eligible Borrowers are potentially eligible for loan modification relief under Section 4. A Borrower who does not occupy the 1-to-4 unit residential property that secures the Qualifying Mortgage is not an Eligible Borrower.

4.2 Qualifying Mortgages. If the Borrower is an Eligible Borrower under Section 4.1, and the Borrower meets one of the specified delinquency profiles, the following CFC Residential Mortgage Loans are “*Qualifying Mortgages*”:

(a) **Subprime 2, 3, 5, 7, and 10 Hybrid ARMs.** A Subprime 2, 3, 5, 7, and 10 Hybrid ARM shall be a Qualifying Mortgage if the Eligible Borrower meets any one of the following delinquency profiles at the time the Eligible Borrower is considered for the loan modification:

- (i) The Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more; or
- (ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(b) **Pay Option ARMs.** A Pay Option ARM shall be a Qualifying Mortgage if the Eligible Borrower meets any one of the following delinquency profiles at the time the Eligible Borrower is considered for the loan modification:

- (i) The Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more; or
- (ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(c) ***Subprime First Mortgage Loans (Other than Subprime 2, 3, 5, 7, and 10 Hybrid ARMs).*** A Subprime CFC Residential Mortgage Loan shall be a Qualifying Mortgage if the Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more.

4.3 *Loan Modifications to Be Considered.* Each Eligible Borrower shall be considered for a range of affordable loan modification options with respect to his or her Qualifying Mortgage. The loan modification options will include those described below and any existing modification options currently undertaken by CFC. Loan modification options are subject in each case to approval of the investor who owns the Qualifying Mortgage and the Affordability Equation as set forth in Section 4.4. Loan modification options for each category of Qualifying Mortgages are as follows:

(a) ***Subprime 2, 3, 5, 7, and 10 Hybrid ARMs.*** Qualifying Mortgages that are Subprime 2, 3, 5, 7, and 10 Hybrid ARMs are eligible for any of the following loan modifications, in no particular order:

- (i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program.
- (ii) For Eligible Borrowers: (A) who become Seriously Delinquent following a reset; or (B) who are subject to an imminent reset and, in the reasonable view of the CFC Servicer, as a result of such reset are reasonably likely to become Seriously Delinquent on or before the Termination Date (even though they are not Seriously Delinquent at the time of modification), an unsolicited (subject to Section 6.3.10) restoration of the introductory rate for five years,

without new loan documentation or an evaluation of the Eligible Borrower's current income. Communications to Eligible Borrowers informing them of this modification will invite Eligible Borrowers to contact the applicable CFC Servicer if they do not believe they will be able to afford the introductory rate in order to be considered for more extensive relief under Section 4.3(a)(iii) or 4.3(a)(iv).

- (iii) A streamlined, fully-amortizing loan modification subject to the Affordability Equation consisting of:
 - (A) until the fifth anniversary of the loan modification, a reduction of the interest rate to the (i) introductory rate or (ii) lower (but not less than 3.5%); and
 - (B) on the fifth anniversary of the loan modification, an automatic conversion to a fixed rate mortgage for the remainder of the loan term at the higher of (1) the Fannie Rate and (2) the introductory rate. If the new payment would not be affordable to the Eligible Borrower based on his or her income at the time of conversion, the Eligible Borrower will be considered for a single two-year period of reduced-rate financing, in which case the conversion to a fixed rate mortgage will occur at the end of the seventh year.
- (iv) A streamlined loan modification subject to the Affordability Equation consisting of:
 - (A) modification of the Qualifying Mortgage to include a ten-year interest-only period;
 - (B) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest-rate cap as provided below in Section 4.3(a)(iv)(C); and
 - (C) an interest-rate cap for the remaining, fully amortizing term of the Qualifying Mortgage at an annual interest rate equal to the introductory rate.

(b) ***Pay Option ARMs.*** Qualifying Mortgages that are Pay Option ARMs are eligible for any of the following loan modifications, in no particular order:

- (i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program; or
- (ii) A streamlined, fully-amortizing (except as provided in Section 4.3(b)(ii)(B)) loan modification subject to the Affordability Equation consisting of:
 - (A) elimination of the negative amortization feature;
 - (B) optional introduction of a ten-year interest-only period on the loan;
 - (C) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap of 7%; and
 - (D) if the Eligible Borrower owns only one residential property and the LTV is 95% or higher, a write down of the principal balance of the Qualifying Mortgage (but any write down of principal would not be in an amount greater than necessary to achieve an LTV of 95%).

(c) ***Subprime Loans (Other than 2, 3, 5, 7, and 10 Hybrid ARMs).*** Qualifying Mortgages that are Subprime Loans (Other than 2, 3, 5, 7, and 10 Hybrid ARMs) are eligible for any of the following loan modifications, in no particular order:

- (i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program; or
- (ii) A streamlined, fully-amortizing (except as provided in Section 4.3(c)(ii)(A)) loan modification within the limits of the Affordability Equation consisting of:

- (A) optional introduction of a ten-year interest-only period on the loan;
- (B) reduction of the interest rate on the mortgage to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap as provided below in Section 4.3(c)(ii)(C); and
- (C) an interest-rate cap for the remaining term of the Qualifying Mortgage at an annual interest rate equal to: (i) the fixed interest rate *less* 200 basis points, in the case of fixed-rate loans; and (ii) the remainder of the sum of the contractual index amount *plus* spread immediately before the first loan modification, *minus* 200 basis points, in the case of an ARM.

4.4 Affordability Equation. Qualifying Mortgages will be considered for loan modifications in accordance with the following Affordability Equation, which establishes a Foreclosure Avoidance Budget that is a cap on the cost of the loan modification.

(a) ***Foreclosure Avoidance Budget.*** Except for Eligible Borrowers who receive an unsolicited reduction of their interest rates pursuant to Section 4.3(a)(ii), a Foreclosure Avoidance Budget will be prepared with respect to the Eligible Borrower and the Qualifying Mortgage. The “*Foreclosure Avoidance Budget*” at any time is the difference between: (1) the likelihood and severity of the projected loss in a foreclosure sale; and (2) the likelihood and severity of the projected loss in the event that there was a loan modification with respect to the Qualifying Mortgage and a later foreclosure sale. For purposes of determining the Foreclosure Avoidance Budget for a Qualifying Mortgage, the LTV will be based on the Market Value.

(b) ***Affordability Criteria.***

- (i) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are maintained with respect to the Qualifying Mortgage, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable), interest, taxes, and insurance equating to 34% of the Eligible Borrower’s income, or as close to 34% of the Eligible Borrower’s income as the

Foreclosure Avoidance Budget permits without exceeding 42% of the Eligible Borrower's income.

- (ii) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are not maintained with respect to a Qualifying Mortgage, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable) and interest equating to 25% of the Eligible Borrower's income, or as close to 25% of the Eligible Borrower's income as the Foreclosure Avoidance Budget permits without exceeding 34% of the Eligible Borrower's income.

- (c) ***Borrowers Who Cannot Afford a Loan Modification.*** There is no obligation to offer loan modifications with respect to Qualifying Mortgages if the Eligible Borrower cannot be qualified under the Affordability Equation. Such Eligible Borrowers may be eligible for a Relocation Assistance payment or a payment under the Foreclosure Relief Program, all as provided in Sections 5 and 6.

4.5 *Outreach to Borrowers at Risk of Delinquency.* Borrowers with Subprime Mortgage Loans or Pay Option ARMs with first-payment due dates between January 1, 2004, and December 31, 2007, whose payments are scheduled to change as a result of an interest-rate reset, Recast, or expiration of an interest-only term, will be sent a communication approximately 90 days before the payment change inviting them to contact their CFC Servicer if they believe they will not be able to afford their new payments. In the event that a borrower responds to this communication, the borrower will be considered for loan modifications under the eligibility criteria in this Stipulation.

4.6 *Restrictions on Initiation or Advancement of Foreclosure Process for Eligible Borrowers.*

- (a) The foreclosure process for a Qualifying Mortgage of an Eligible Borrower will not be initiated or advanced for the period necessary to determine such Eligible Borrower's interest in retaining ownership and

ability to afford the revised mortgage terms, as well as the investor's willingness to accept a loan modification.

- (b) Any such foreclosure process will be initiated or advanced only if:
 - (i) it is determined, based on communication with the Borrower or based on the Borrower's abandonment of the residential property that secures the mortgage loan, that the Borrower does not wish to retain ownership of the residence that secured the mortgage loan;
 - (ii) it is or has been determined that the Borrower cannot be qualified for, or has refused, a loan modification under this Stipulation within the limits of the Affordability Equation, as applicable; or
 - (iii) despite reasonable efforts, servicing agents have been unable to make contact with the borrower to determine his or her preferences with regard to home ownership, or to obtain information concerning his or her income and ability to afford a mortgage payment under a modification.

4.7 *Miscellaneous Provisions Related to Loan Modification Program.*

- (a) ***Commitment to Waive Late/Delinquency Fees.*** Late/delinquency fees will be waived to the extent they arise with respect to past due loan payments that remain unpaid as of the date immediately before modification of the Qualifying Mortgage under this Stipulation. Late/delinquency fees will not be waived to the extent they arise with respect to loan payments that were previously past due but were subsequently paid prior to the date immediately before modification.
- (b) ***Commitment Not to Charge Loan Modification Fees.*** Except to the extent required in connection with the HOPE for Homeowners Program, Eligible Borrowers will not be charged loan modification fees in connection with loan modifications of Qualifying Mortgages.
- (c) ***Prepayment Penalty Waivers.*** Prepayment penalties will be waived in connection with any payoff or refinancing (even if refinanced by a person not Affiliated with CFC) of a Qualifying Mortgage that is a Subprime Mortgage Loan or Pay Option ARM that: (1) had a first payment due date between January 1, 2004, and December 31, 2007; (2) was directly or indirectly held by CFC on June 30, 2008; and (3) which at the time of

the payoff or refinancing is held by CFC or any Affiliate. Investor owners or their representatives of Qualifying Mortgages that are Subprime Mortgage Loans or Pay Option ARMs serviced by a CFC Servicer will be encouraged to waive prepayment penalties in such circumstances.

(d) ***Commitment to Consider Additional Relief for Borrowers Receiving Modifications and Later Becoming Delinquent.*** Eligible Borrowers with respect to Qualifying Mortgages who have earlier received loan modifications or other workouts, whether or not pursuant to this Stipulation, will be eligible to be considered for new loan modification offers under this Stipulation if they otherwise satisfy the eligibility criteria.

(e) ***Representation Concerning Investor Delegation and Approval.*** CFC represents that CFC Servicers currently have, or reasonably expect to obtain, discretion to pursue the foreclosure avoidance measures outlined in this Stipulation for a substantial majority of Qualifying Mortgages. If CFC Servicers do not have discretion to pursue these foreclosure avoidance measures, best efforts will be used to obtain appropriate investor authorization.

4.8 *Commitment to Implement Relief Measures Authorized by Federal Government.* To the extent the federal government acquires any Qualifying Mortgages and, as the owner of these mortgages, authorizes loan modifications that offer borrower benefits greater than those associated with the modifications outlined in this Stipulation, such relief measures will be pursued in modifying such Qualifying Mortgages to the full extent of such authorization.

4.9 *Timeframe for Loan Modification Process.* The loan modification process will be managed to ensure that offers of loan modifications under this Stipulation (other than unsolicited interest rate reductions) are made to Eligible Borrowers, on average, no more than 60 days after such Eligible Borrowers make contact with the applicable CFC Servicer and provide any required information concerning a possible modification.

4.10 *Response to Intentional Nonperformance by Borrowers.* If CFC detects material levels of intentional nonperformance by Eligible Borrowers that appear to be attributable to the introduction of the loan modification program, it reserves the right to require objective prequalification of Eligible Borrowers for loan modifications under the program by obtaining verification of all sources of income and the application of funds, and to take other reasonable steps. Such prequalification could result in the elimination of unsolicited interest rate reductions, inhibit streamlined solutions and could otherwise significantly slow implementation of the loan modification program.

4.11 *No Releases with Respect to Loan Modifications.* In connection with loan modifications offered under this Stipulation, no releases of claims will be solicited or required from Eligible Borrowers.

4.12 *Number of Loan Modification Offers before March 31, 2009.* On or before March 31, 2009, loan modifications will be offered by CFC Servicers in accordance with this Stipulation to not fewer than 50,000 Delinquent Borrowers on a nationwide basis. The State may terminate this Stipulation and no longer be bound by the release set forth in Section 9.2 or 9.3 of this Stipulation if there is a material failure to satisfy this commitment. If the State terminates this Stipulation, any unspent portion of the Foreclosure Relief Program allocation that has been reserved by the State for purposes other than making payments to Borrowers as provided in Section 6 of this Stipulation will be repaid to CFC.

4.13 *Second or Junior Liens.* Loan modifications contemplated in Section 6.0 of this Stipulation shall be made without consideration of second or junior liens on

mortgaged properties. CFC does not expect that the presence of second or junior liens will impede Eligible Borrowers from receiving a loan modification offer under Section 6.0 of this Stipulation.

5. RELOCATION ASSISTANCE

Through the Termination Date, payments will be provided to borrowers who are unable to retain their homes in accordance with this Section.

5.1 Eligibility. Borrowers under CFC Residential Mortgage Loans: (a) who were serviced by a CFC Servicer on June 30, 2008, (whether or not they are Qualifying Mortgages); (b) who occupy a 1-to-4 unit residential property subject to servicing by a CFC Servicer on the date of determination of eligibility hereunder; and (c) who are subject to a foreclosure sale date on or before the Termination Date, will be offered an agreement under which they can receive a cash payment to assist with the Borrower's transition to a new place of residence ("*Relocation Assistance payment*") in exchange for voluntarily and appropriately surrendering the residence that secured the mortgage loan at the time of the foreclosure sale. Borrowers who are eligible for, or who receive, payments under the Foreclosure Relief Program may also receive a Relocation Assistance payment.

5.2 Amount. The amount of Relocation Assistance payments offered to any Borrower will be in the discretion of CFC or its delegee according to its or their assessment of the individual circumstances of the Borrower (e.g., number of dependents or amount of moving expenses).

5.3 *Timing of Payments.* Relocation Assistance payments shall be made to a Borrower no later than 14 days following the Borrower's voluntary and appropriate surrender of the residence that secured the mortgage loan.

5.4 *Payment Projection.* CFC projects that, from October 1, 2008, through December 31, 2010, Relocation Assistance payments will be made to 35,000 borrowers on a nationwide basis in a total amount of more than \$70,000,000.

6. FORECLOSURE RELIEF PROGRAM

Payments shall be made available to Borrowers who experienced a foreclosure sale or who were 120 days or more delinquent in making mortgage payments soon after their loans were originated in accordance with the following provisions:

6.1 *Payment.* The State of Idaho is allocated \$708,024.00 for uses consistent with this Foreclosure Relief Program.

6.2 *Individual Allocation.* Unless otherwise directed by the State in accordance with Section 6.3 hereof, a Borrower will be eligible for payments under the Foreclosure Relief Program if the Borrower:

- (a) Has a CFC-Originated Residential Mortgage Loan secured by owner-occupied property;
- (b) The first payment on the CFC-Originated Residential Mortgage Loan was due between January 1, 2004, and December 31, 2007;
- (c) Six or fewer payments were made on the CFC-Originated Residential Mortgage Loan; and
- (d) The CFC-Originated Residential Mortgage Loan was foreclosed or is 120 days or more delinquent as of the Commencement Date.

6.3 Expansion or Contraction of the Foreclosure Relief Program; Reservation of Funds for Other Purposes. The State, in its discretion, may expand the Foreclosure Relief Program to cover additional Borrowers or limit the Foreclosure Relief Program to restrict the participation of Borrowers (provided, however, that at least those eligible Borrowers who made three or fewer payments over the life of the CFC-Originated Residential Mortgage Loan are covered). If the State elects to expand or contract the program, the amount allocated to the State of Idaho will remain the same. The State may reserve as much as 50% of the sum allocated to the State of Idaho for foreclosure relief/mitigation or related programs other than payments to defaulted Borrowers, including purchasing or rehabilitating foreclosed properties.

6.4 Communications. CFC and the State shall consult as to the form and content of any communication sent to Borrowers who are to receive Foreclosure Relief Program payments.

6.5 Unallocated Funds. Funds allocated to Borrowers in the State of Idaho who choose not to participate in the Foreclosure Relief Program or who cannot be located after commercially reasonable efforts shall be available to the State for re-allocation to Borrowers under this program at the direction of the State.

6.6 Release. In order to receive payments under the Foreclosure Relief Program, Borrowers must execute a release in accordance with Section 9.1. Borrowers offered payments under this Foreclosure Relief Program whose loans have not yet been foreclosed shall be afforded at least a three-month period to decide whether to execute the

release to permit them to determine whether they wish to raise claims covered by the release.

7.0 BANK OF AMERICA FOUNDATION COMMUNITY INVESTMENT ACTIVITIES

The Parties acknowledge that, while the Bank of America Foundation ("*Foundation*") is not a party to, or in any way bound by, this Stipulation, the Foundation intends to work actively with non-profit organizations, community development corporations and others in addressing the adverse effects of the current housing crisis, particularly by promoting community redevelopment and facilitating the application of Housing and Economic Recovery Act funds to beneficial usage of real estate owned properties. CFC commits to collaborate in good faith with the State to identify ways in which CFC can support or complement the Foundation's efforts.

8.0 REPORTING REQUIREMENTS

8.1 *Eligible Borrowers in Qualifying Mortgages.*

(a) On a quarterly basis through June 30, 2010, CFC shall report the following information to the Attorney General:

- (i) The names and addresses of Eligible Borrowers in the State of Idaho in Qualifying Mortgages who received loan modification offers under this Stipulation, and for whom loan modifications were concluded;
- (ii) For loan modification offered or concluded under this Stipulation, the total dollar amount of interest and principal expected to be saved by Borrowers as a result of such modifications over the life of the loans;
- (iii) For all loan modifications under this Stipulation concluded within the reporting period in the State of Idaho, the original and modified loan terms, and the amounts of late/delinquency

fees waived, loan modification fees waived, and prepayment penalties waived by CFC pursuant to this Stipulation;

- (iv) For a sample of Eligible Borrowers in Qualifying Mortgages for whom CFC was unable to procure a loan modification offer under this Stipulation during the reporting period (which sample shall be no less than 5% of all such Eligible Borrowers), the factors preventing a loan modification offer;
- (v) The number and total amount of Relocation Assistance payments or Foreclosure Relief payments made to Borrowers in the State of Idaho during the reporting period;
- (vi) Delinquency data on active loans with first payment due dates between January 1, 2004, and December 31, 2007, that are secured by Borrower-occupied residential property in the State of Idaho, broken down by type of loan; and
- (vii) Aggregated delinquency/default data on all loans modified under this Stipulation for Eligible Borrowers in the State of Idaho, separated by type of modification.

(b) CFC shall provide annual reports to the Attorney General that include the information specified in Section 8.1(a) for the periods July 1, 2010, through June 30, 2011, and July 1, 2011, through June 30, 2012.

8.2 Other Loan Modifications. With the same frequency as specified in Section 6.6.1, CFC will provide to the Attorney General a report detailing the numbers and types of modifications concluded on first lien residential mortgage loans secured by Borrower-occupied property in the State of Idaho (other than Qualifying Mortgages) and the total unpaid principal balance of such modified loans.

8.3 Best Servicing Practices for Modifying First Lien Qualifying Mortgages on Residential Property Subject to Second Lien Mortgages. CFC will report periodically to the Attorney General on CFC's progress in developing best servicing practices as described in Section 3.1(h).

8.4 Compliance Monitor. CFC will appoint an employee as the Compliance Monitor for this Stipulation. The Compliance Monitor will be responsible for: (a) making reports to the Attorney General under this Stipulation; and (b) receiving and responding to complaints from the State or from individual borrowers concerning the operation of the loan modification program.

9.0 RELEASES AND MORE FAVORABLE SETTLEMENTS

9.1 Releases from Borrowers. Borrowers to whom payments under the Foreclosure Relief Program are offered shall, as a condition of receiving such payments, be required to execute and return to CFC a release of claims that includes the following language:

“In consideration for the payment we are to receive under the Foreclosure Relief Program, we release Countrywide Financial Corporation and its affiliates and their respective directors, officers, employees and agents (except brokers) from all civil claims, causes of action, any other right to obtain any type of monetary damages (including punitive damages), expenses, attorneys’ and other fees, rescission, restitution or any other remedies of whatever kind at law or in equity, in contract, in tort (including, but not limited to, personal injury and emotional distress), arising under any source whatsoever, including any statute, regulation, rule, or common law, whether in a civil, administrative, arbitral or other judicial or nonjudicial proceeding, whether known or unknown, whether or not alleged, threatened or asserted by us or by any other person or entity on our behalf, including any currently pending or future purported or certified class action in which we are now or may hereafter become a class member, that arise from or are in any way related to CFC Loan No. _____, and any loans originated in connection therewith that are secured by a second mortgage, including, without limitation, the origination of any such loan (and any representations or omissions made during that origination process), the terms and conditions of any such loan, and the servicing or administration of any such loan after its origination; provided, however, that nothing herein shall bar the assertion of any released claim solely as an

affirmative defense to any claim against us for a deficiency in respect of any such loan, but in no event shall we be permitted to obtain an affirmative recovery in any such deficiency action.”

9.2 *Attorney General’s Release.* As to CFC and its Affiliates, this Stipulation effects a full resolution, complete settlement, and release by the Attorney General of all claims arising out of the residential mortgage origination or servicing activities of CFC and its subsidiaries occurring before entry of this Stipulation that are within the authority of the Attorney General to release, except for: (a) any claims that the State of Idaho might have as an investor in CFC securities; (b) any regulatory or enforcement proceedings by or on behalf of another State of Idaho officer or agency; (c) any claims or investigations identified to CFC by the Attorney General; and (d) any criminal investigations or proceedings. This Stipulation does not resolve or release, but instead specifically preserves, any claims the State of Idaho may have against Angelo Mozilo or David Sambol.

9.3 *The Department’s Release.* As to CFC and its Affiliates, this Stipulation effects a full resolution, complete settlement, and release by the Department of all claims arising out of the residential mortgage origination or servicing activities of CFC and its subsidiaries occurring before entry of this Stipulation that are within the authority of the Department to release, except for: (a) any claims that the State of Idaho might have as an investor in CFC securities; (b) any regulatory or enforcement proceedings by or on behalf of another State of Idaho officer or agency; (c) any claims or investigations identified to CFC by the Department; and (d) any criminal investigations or proceedings. This

Stipulation does not resolve or release, but instead specifically preserves, any claims the State of Idaho may have against Angelo Mozilo or David Sambol.

9.4 *More Favorable Terms.* The Parties agree that should CFC resolve allegations concerning the conduct covered by this Stipulation that occurred before the date of this Stipulation in actions brought by attorneys general of other states on terms that are different than those contained in this Stipulation (other than terms offered by CFC but not accepted by the State), CFC will provide a copy of those terms to the Attorney General for review. If, after review, the State determines the terms of such resolutions are, taken as a whole, more favorable than those contained in this Stipulation, CFC shall stipulate that this Stipulation shall be amended to reflect the more favorable terms.

10.0 OTHER TERMS AND CONDITIONS

10.1 *No Implied Approval.* If this Stipulation expressly requires an act or procedure, CFC shall not represent or imply that the State has approved CFC's procedures, languages, techniques, or other manners of performance.

10.2 *No Admission of Wrongdoing.* This Stipulation shall not constitute an admission of wrongdoing by BAC or CFC nor shall it be cited as such by any person. This Stipulation shall not be admissible in any proceeding as evidence against BAC or CFC of wrongdoing or as a concession of responsibility.

10.3 *Entire Agreement.* This Stipulation sets forth the entire agreement between the Parties hereto and supersedes all prior agreements, assurances of voluntary

compliance, and understandings, whether written or oral, between the Parties and their counsel with respect to the subject matter hereof.

10.4 *Consent Judgment.* This Stipulation shall be filed concurrently with the Judgment and shall be subject to the approval of the District Court of Ada County, Idaho, which has subject matter jurisdiction pursuant to Idaho Code § 48-606(4).

10.5 *Disclosure of Stipulation.* This Stipulation is a public record and copies of this Stipulation may be provided to any person who requests a copy, including any media representative.

10.6 *Submission to Jurisdiction for Limited Purpose.* CFC submits to the jurisdiction of District Court of Ada County, Idaho for the limited purpose of entering into and enforcing this Stipulation. Any acts, conduct or appearance by CFC does not constitute and shall not be construed as a submission to the general jurisdiction of any court in the State of Idaho for any purpose whatsoever. The court shall retain jurisdiction over this matter for the purposes of: (a) enabling the Attorney General to apply to the court for enforcement of any provision of this Stipulation as outlined in Section 2.5(a); (b) enabling CFC to apply to this court upon notice of alleged material failure as provided in Sections 2.4; and (c) enabling the State or CFC to apply, upon giving 45 days written notice to the other party, for such further orders and directions as necessary or appropriate for the construction or performance of this Stipulation or for the modification or termination of one or more injunctive provisions of this Stipulation.

10.7 *Conflict with Subsequent Law.* In the event that any applicable law conflicts with any provision hereof, making it impossible for CFC to comply both with the law and with the provisions of this Stipulation, the provisions of the law shall govern.

10.8 *Waiver of Rights.* The failure of any party to exercise any rights under this Stipulation shall not be deemed a waiver of any right or any future rights.

10.9 *Severability of Parts.* If any part of this Stipulation shall for any reason be found or held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder hereof, which shall survive and be construed as if such invalid or unenforceable part had not been contained herein.

10.10 *Execution of Counterparts.* This Stipulation may be signed in one or more counterparts, each of which shall be deemed an original. Facsimile copies of this Stipulation and the signatures hereto may be used with the same force and effect as an original.

10.11 *Amendment of Stipulation.* This Stipulation may be amended only by a written agreement signed by the Parties.

10.12 *Termination of Stipulation.* Unless an earlier date is specified, the obligations of CFC under this Stipulation shall terminate on the Termination Date. Provided, however, that no termination of the obligations under this Stipulation shall modify or terminate the terms of any loan modification entered into pursuant to Section 6.3 of this Stipulation.

10.13 *Notices.* Notices sent pursuant to the terms of this Stipulation shall be sent by certified or registered mail, return receipt requested, or by overnight delivery service

when proof of delivery is available. If a party refuses to accept the notice or the party's contact address is invalid, service is considered effective on the date the notice is mailed. Transmission of a notice by facsimile, email, or other electronic device shall not constitute effective notice unless the Parties expressly agree to such transmission in regard to the specific notice beforehand. All required notices shall be in writing and sent to the Parties at the following addresses:

Stephanie N. Guyon
Deputy Attorney General
Office of the Attorney General
954 W. Jefferson, 2nd Floor
P.O. Box 83720
Boise, ID 83720-0010

John Beisner
Brian Boyle
O'MELVENY & MYERS LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

A. René Martin
Deputy Attorney General - Lead
Idaho Department of Finance
800 Park Blvd., Suite 200
P.O. Box 83720
Boise, ID 83720-0031

10.14 Acknowledgement of Receipt of Stipulation. CFC acknowledges receipt of a copy of this Stipulation before it is filed with the District Court. CFC further agrees to accept service of a conformed copy by prepaid first-class mail sent to the address set forth in Section 10.13 of this Stipulation. CFC requests personal service by certified mail of a conformed copy of this Stipulation and the signed Order after filing.

10.15 No Third Party Beneficiaries Intended. This Stipulation is not intended to confer upon any person any rights or remedies, including rights as a third party

beneficiary. This Stipulation is not intended to create a private right of action on the part of any person or entity other than the parties hereto.

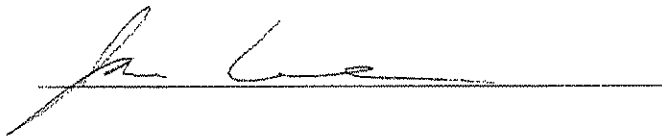
10.16 Confidentiality. The State agrees that all confidential information disclosed to it by BAC or CFC or any of their Affiliates, including, but not limited to, all periodic reports provided pursuant to Section 8, shall be kept confidential. However, the following information reported to the State on a periodic basis shall not be deemed confidential to the extent aggregated for Borrowers in the State of Idaho for a full reporting period: (a) the total number of loans modified; (b) the total number of loans modified by type of loan; (c) the total dollar amount of interest and principal expected to be saved by Borrowers as a result of such modifications over the life of the loans; and (d) the total dollar amount of payments under Sections 5 and 6 of this Stipulation to Borrowers. The State shall not disclose or use any confidential information without the prior written consent of CFC except to the extent required by law, regulation, or court order (and in such case, only upon prior written notice to CFC).

10.17 Indurement. This Stipulation is binding and insures to the benefit of the parties hereto and their respective successors and assigns.

11.0 AUTHORIZATIONS

FOR COUNTRYWIDE FINANCIAL CORPORATION:

December 18, 2008
DATE



JAMES CICCONE - Executive Vice President
Print Name & Title * Deputy General Counsel

FOR THE STATE OF IDAHO:

LAWRENCE G. WASDEN
ATTORNEY GENERAL

12/19/08
DATE


BY: STEPHANIE N. GUYON
DEPUTY ATTORNEY GENERAL

FOR THE IDAHO DEPARTMENT OF FINANCE:

12/19/08
DATE


GAVIN M. GEE
DIRECTOR

12/19/08
DATE


A. RENÉ MARTIN
LEAD DEPUTY ATTORNEY GENERAL